



بنك الإمارات دبي الوطني
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Equity Weekly

Global Equities

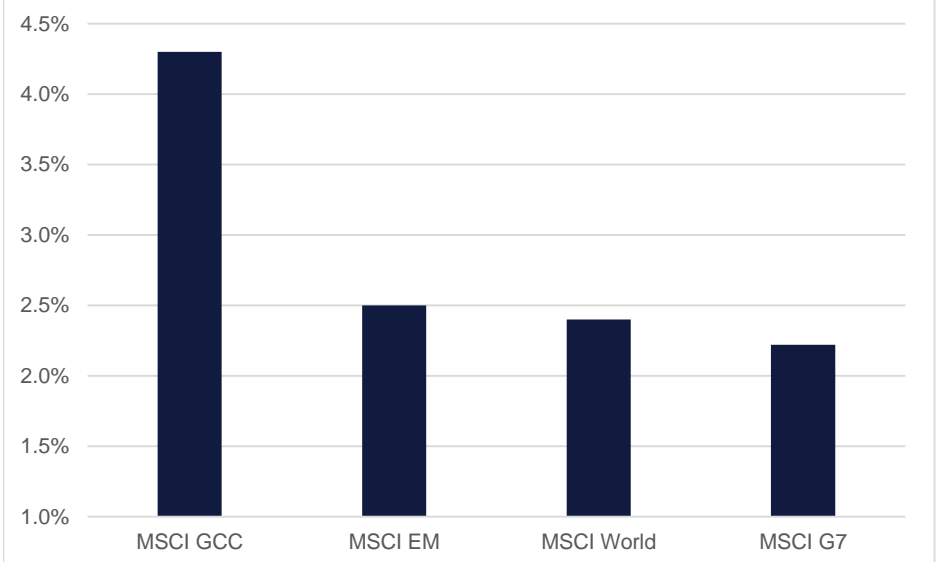
Despite multiple headlines from the World Economic Forum at Davos, global equities continued their rally to close at new highs. The positive tone remains supported by strong corporate earnings even as the impact of a weaker USD is felt on other developed markets. The MSCI World index added +1.9% 5d on the back of gains across its sub-indices. The MSCI EM index, the MSCI G7 index and the MSCI Arabian Markets index added +3.3% 5d, +1.9% 5d and +0.6% 5d respectively.

The ongoing earnings season should remain the primary driver behind movement in global equities as political factors move to the background. Within emerging markets, India will be in focus as the government announces its final full-year budget before general elections in 2019. Regionally, equities are losing momentum amid weakness in corporate earnings and the fading of dividend-related investments.

Chart of the week

With the 2017 earnings season in full flow, investors in the region tend to focus a lot more on the dividend payout by companies. If we compare the 12-month projected dividend yields by Bloomberg across regions, the GCC region is expected to deliver a dividend yield of 4.3%, nearly 180 bps higher than companies in emerging markets. In terms of valuations, the MSCI GCC Countries index is currently trading at 12.6x 12-month forward earnings compared to the MSCI EM index which is trading at 13.5x 12-month forward earnings.

Chart of the week – Dividend yield from GCC equities are the highest



Source: Bloomberg

MENA Markets

Over the last week, MENA equity markets consolidated the gains made since the start of the year. The earnings season took a disappointing turn with misses from several market heavyweights. Eventually, the S&P Pan Arab Composite index ended the week with marginal gains of +0.2% 5d.

UAE bourses closed mixed with the DFM index losing -2.1% 5d and the ADX index adding +0.2% 5d. Much of the headline move on the DFM index was on account of Emaar Properties going ex-dividend. The stock managed to hold onto the ex-dividend level. DP World continues to outperform the wider index with the stock adding +1.9% 5d. The company announced plans to set to a USD 3bn investment platform with India's National Investment and Infrastructure Fund. Both the recently listed companies were in news with ADNOC Distribution looking to open stations in Dubai and Saudi Arabia for the first time in 2018 and Emaar Development reportedly in talks with banks to raise cash. At the end of last week, Emaar Development was trading -6.0% lower relative to its IPO price while ADNOC Distribution was +8.0% higher relative to its listing price.

The Tadawul dropped -0.2% 5d on the back of weak corporate earnings. Almarai, Safco and Saudi Kayan missed analyst estimates by a wide margin. Almarai ended the week with losses of -1.9% 5d while Safco was lower by -4.9%. Elsewhere, the Qatar Exchange added +0.7% 5d to close within 5% of levels seen at the start of the political dispute with GCC countries. The momentum was supported by strong dividend announcements from Doha Bank and Qatar Insurance.

Developed Markets

Developed market equities had a mixed week as moves in the FX weighed. The DXY index dropped -1.7% to close below the 90.0 level which in turn weighed on European and Japanese equities. US equities continued to their rally as earnings momentum remained strong. The S&P 500 index added +2.2% 5d while the Euro Stoxx 600 index and the Nikkei index dropped -0.1% 5d and -0.7% 5d respectively.

The earnings season in the US remains on a strong footing. Nearly 24% of companies in the S&P 500 index have reported earnings. According to FactSet, 76% of those companies have reported positive earnings surprise and 81% of those companies have reported positive sales surprise. The aggregate earnings growth for Q4 2017 for the S&P 500 index is 12.0%, higher than 11.0% anticipated growth by analysts at the end of Q4 2017.

Emerging Markets

Emerging market equities outperformed the broader index with the MSCI EM index adding +3.3% 5d compared to gains of +1.9% 5d in the MSCI World index. Gains in emerging markets were led by the BRIC bloc with the MSCI BRIC index rallying +4.2% 5d.

India's Nifty index added +2.3% 5d ahead of the budget announcement for FY 2018-2019. With this being the last full budget by this government before the general elections in 2019, there will be an enhanced focus on whether the government turns populist or remains on the path of fiscal prudence. It is expected that the government is likely to increase allocations to the rural sector, introduce tax benefits for the middle class and increase the speed of divestment of public sector companies.

Market Data

MENA Equity Indices

Index	Last Price	wtd % chg	T.Value 5d avg (USDmn)	BEst P/E	BEst P/B	Div Yield	% above 200d MA
DFM	3,469	-1.8%	87.6	8.9	1.2	5.1	38.89
ADX	4,644	0.4%	43.2	11.3	1.4	4.3	49.15
Tadawul	7,522	-0.2%	786.6	13.8	1.6	3.2	57.23
ISE 100	120,702	3.0%	1,980.3	8.8	1.3	2.6	77.78
EGX 30	-	-1.6%	41.7	10.4	1.9	2.6	-
KWSE	6,652	0.2%	44.0	-	-	5.2	35.34
Bahrain	1,342	0.6%	2.7	-	-	5.8	-
MSM	5,008	-0.3%	6.0	9.6	1.0	5.2	50.00
Qatar Exchange	9,460	2.8%	75.3	12.7	1.5	4.1	75.00
MADEX	10,600	0.5%	8.7	19.1	3.1	3.6	77.27
TUSISE	6,386	0.3%	1.8	19.0	-	2.2	64.29

Developed Market Indices

Dow Jones	26,617	2.1%	9,537.7	18.4	4.0	2.1	93.33
S&P 500	2,873	2.2%	46,109.1	18.8	3.3	1.8	83.00
Nasdaq	7,506	2.3%	30,844.1	23.4	4.2	1.0	67.62
FTSE 100	7,666	-0.8%	6,623.8	14.8	2.0	4.1	67.33
Dax	13,340	-0.7%	5,231.9	13.8	1.7	3.0	68.97
Cac 40	5,529	0.0%	4,392.4	15.3	1.6	3.2	77.50
Swiss	9,516	0.1%	3,313.7	16.9	2.5	3.4	90.00
Nikkei	23,632	-0.7%	14,380.4	19.4	1.9	1.7	88.89
Australia	-	0.7%	3,180.2	-	-	-	-
Stoxx 600	401	-0.1%	36,151.7	15.5	1.9	3.4	72.94

Emerging Market Indices

Hong Kong	33,154	2.8%	8,805.8	13.1	1.4	3.1	96.00
Shanghai	3,558	2.0%	43,624.4	13.9	1.6	1.7	27.97
Korea	2,575	2.2%	6,548.6	9.5	1.0	1.1	57.58
Sensex	-	1.5%	225.1	23.4	3.2	1.1	-
Nifty	-	1.6%	2,497.6	22.3	3.2	1.2	-
Karachi	44,551	0.8%	90.6	9.6	1.6	5.3	38.64
Taiwan	11,147	0.0%	4,750.9	14.3	1.9	3.6	69.41
Bovespa	85,531	5.3%	3,079.8	13.8	1.7	2.3	87.10
Micex	2,295	0.4%	723.3	6.7	0.8	4.8	71.11
Jo'burg	61,596	1.1%	2,322.0	17.0	2.1	2.7	68.94
Vietnam	1,116	5.0%	390.0	19.7	3.3	1.9	56.17
Jakarta	6,661	2.6%	655.1	17.0	2.6	1.9	52.79

Source: Bloomberg, BEst – Bloomberg Estimate

Relative Valuations

Benchmark Equity Indices

Index	Last Price	wtd % chg	1m % chg	Ytd % chg	BEst P/E	BEst P/B	Div Yield
MSCI World	2,249	1.9%	6.9%	6.9%	17.47	2.42	2.22
MSCI G7	2,036	1.9%	7.1%	7.1%	17.64	2.52	2.05
MSCI EM	1,273	3.3%	9.9%	9.9%	13.69	1.74	2.09
MSCI FM	680	0.3%	6.6%	6.6%	13.57	2.01	2.85
S&P Pan Arab	721	0.2%	5.1%	5.1%	8.23	1.50	3.69
DUAE INDEX	3,487	0.3%	8.0%	5.7%	10.49	1.31	4.79
DKUW INDEX	3,644	-0.1%	7.5%	6.8%	-	-	-
DQAT INDEX	5,839	1.9%	9.6%	9.9%	11.87	1.60	3.27
DKUS INDEX	2,965	0.6%	6.2%	5.8%	15.30	1.84	2.32
DQAS INDEX	7,865	3.0%	10.5%	10.4%	13.86	1.73	4.60

Relative to S&P Pan Arab Composite Index

Index	PE	PB	Dvd Yield	Index	PE	PB	Dvd Yield
DFM	8.2%	-21.8%	37.2%	Bahrain	-	-	58.2%
ADX	37.5%	-8.5%	17.7%	MSM	16.4%	-35.9%	41.3%
Tadawul	67.6%	3.6%	-12.4%	Qatar	54.8%	-0.2%	11.3%
KWSE	-	-	42.3%	TUSISE	130.8%	-	-41.0%

Relative to MSCI G7 Index

Dow Jones	4.6%	60.1%	1.3%	Cac 40	-13.1%	-36.4%	54.4%
S&P 500	6.7%	29.8%	-10.4%	Swiss	-4.3%	-2.5%	64.2%
Nasdaq	32.5%	68.5%	-50.3%	Nikkei	9.9%	-23.7%	-18.6%
FTSE 100	-15.9%	-21.3%	98.8%	Australia	-	-	-
Dax	-21.6%	-31.1%	46.2%	Stoxx 600	-12.2%	-24.9%	66.1%

Relative to MSCI Emerging Market Index

Hong Kong	-4.4%	-18.9%	48.0%	Jo'burg	24.4%	21.3%	27.5%
Shanghai	1.4%	-7.3%	-16.4%	Vietnam	43.9%	86.9%	-8.4%
Korea	-30.8%	-39.8%	-49.1%	Jakarta	24.5%	48.7%	-10.1%
Sensex	71.3%	85.3%	-48.6%				
Nifty	62.9%	82.8%	-41.8%				
Karachi	-30.0%	-10.6%	152.1%				
Taiwan	4.5%	6.6%	73.2%				
Bovespa	0.7%	0.1%	9.4%				
Micex	-50.7%	-56.1%	132.2%				

Source: Bloomberg, BEst – Bloomberg Estimate

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